

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-724

November 20, 2001

CENTRAL MAINE POWER COMPANY
Application for Approval of Issuance of
Securities (§902) (\$19,500,000)

ORDER APPROVING
ISSUANCE OF
SECURITIES

WELCH, Chairman; NUGENT & DIAMOND, Commissioners

I. BACKGROUND & SUMMARY

On October 17, 2001, Central Maine Power Company (CMP or the Company) requested permission to issue up to \$19,500,000 in unsecured notes to refinance pollution control bonds originally issued through the Industrial Development Authority of the State of New Hampshire (NHIDA) in 1984. The original bonds were issued with a 30-year maturity in connection with funding CMP's share of pollution control facilities at the Seabrook nuclear generating station in New Hampshire. The Company stated that current interest rate environment makes refinancing attractive and other terms and conditions of the original agreement (approved by the Commission in Docket No's 1984-86 and 1984-224) will remain the same. This Order approves the Company's request.

II. ANALYSIS & CONCLUSION

In 1984 CMP issued notes totaling \$19,500,000 under a loan agreement with the NHIDA, which in turn supported the issuance of an equal amount of tax-exempt pollution control revenue bonds by the NHIDA. All the proceeds from that issuance were used to finance qualified pollution control facilities at the Seabrook nuclear generating station and the interest on the bonds was, and continues to be, tax-exempt under the United States Internal Revenue Code. When the Company sold its 6.04% ownership interest in the plant in November 1986, it retained its obligations supporting the NHIDA bonds. These bonds were originally issued for 30 years, with a variable interest rate and with a call provision that can be activated on December 17, 2001. The bonds can be initially called at a 3% premium (103% of face value) and the call premium decreases by 0.50% per year for the next six years.

In December 1991, CMP chose to convert the variable interest rate to a fixed rate of 7.375%. In the present environment, the Company anticipates that it can refinance these bonds through the NHIDA's successor agency, The Business Finance Authority of the State of New Hampshire (NHBFA), for their remaining life (between 12 and 13 years depending on closing) at a tax-exempt interest rate of roughly 5.00%. The Company estimates that the after-tax net present value savings (including the cost of the call premium) of executing this transaction would be in the area of \$2.4 million over the

remaining life of the loan. On an annual basis, the after-tax interest savings amounts to nearly \$278,000 per year assuming an interest rate of 5.00%. CMP has reported to its Board of Directors (and has provided supporting analysis in its petition) that the proposed refinancing break-even point is 6.875%. In other words, the transaction makes net present value sense at any rate at or below that point.

Having reviewed CMP's application, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the notes are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901 and approval is therefore granted. In approving this debt issuance, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Company's capital needs or capitalization ratio for ratemaking purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

ORDER

1. That Central Maine Power Company (CMP) is hereby authorized to issue unsecured notes or other evidences of indebtedness in an aggregate principal amount not to exceed \$19,500,000, at a tax-exempt interest rate not to exceed 6.875%, and with a final maturity date not to exceed the maturity date on the bonds being refinanced pursuant to a loan agreement to be entered into between the Company and The Business Finance Authority of the State of New Hampshire (NHBFA) solely for the purpose described in this Order.

2. That CMP report its actions pursuant to this Order to the Commission, in writing, within sixty (60) days of the closing of this transaction.

Dated at Augusta, Maine, this 20th day of November, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.